

Message Text

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ACTION XMB-04

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R 220750Z OCT 74

FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC 6657

USDOC WASHDC

INFO AMEMBASSY ADDIS ABABA

AMEMBASSY BUJUMBURA

AMEMBASSY KHARTOUM

AMEMBASSY KIGALI

AMEMBASSY LUSAKA

AMEMBASSY MOGADISCIO

AMEMBASSY NAIROBI

AMEMBASSY TANANARIVE

AMEMBASSY BLANTYRE

AMEMBASSY PORT LOUIS

AMCONSULHQANZIBAR

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STATE: FOR EXIM: PASS COPIES EB/CBA AND AND AF/EP5

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1. APPRECIATE THOROUGHNESS OF RESPONSE IN REF A. ALTHOUGH
POINTS CONSIDERED ARE SAME ONES WE WEIGHED IN RESPONDING TO
EXIM REQUESTS FOR INFORMATION, WE SURPRISED BANK HAS DISMISSED
CURRENT DROUGHT PROBLEM AND ITS IMPACT ON BALANCE OF PAYMENTS (BOP)
AS FACTOR OF NO SIGNIFICANCE. WHILE WE ARE AWARE THAT ECONOMIC
AID TO DEVELOPING COUNTRIES IS DIMINISHING, WE ALSO UNDERSTAND
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THAT AID FLOW IS INCREASING TO THOSE COUNTRIES JUDGED TO BE THE

VERY POOREST. IN THIS REGARD, AID FROM VARIOUS DONORS TO TANZANIA IS REPORTEDLY ON THE INCREASE. DOES EXIM HAVE SPECIAL INFORMATION WHICH INDICATES THIS FLOW TO TANZANIA WILL NOT BE MAINTAINED AT INCREASING RATES? WE APPRECIATE EXIM MUST TAKE RISK IN ALL THIS BUT, IN OUR UNDERSTANDING, THAT THAT IS WHY EXIM IS IN BUSINESS (SEE SECOND PARAGRAPH, PAGE 4, VOLUME 1 BOOKLET ENTITLED "EXIMBANK PROGRAMS"). RE PARA 4, EMBASSY AS IS TEXCO WELL "AWARE EXIMBANK IS NOT AID INSTITUTION" AND NEVER INDICATED THAT IT WAS. HAVING READ EXIM BANK LITERATURE AND EXIM BANK ACT OF 1945 WE ARE UNDER IMPRESSION BANK'S PURPOSE IN BEING IS TO AID IN PROMOTING SALE US EXPORTS. FINALLY, RE PARA 8 OF REF A, EMBASSY IN

NO WAY "EMBARRASSED" BY EXIM DELAYS IN REACHING DECISION, BUT WE ARE DISHEARTENED AND DISCOURAGED THAT MAJOR PROJECT, WHICH WE NOTED NEARLY YEAR AGO WOULD REQUIRE EXIM FINANCING AND ONE WHERE WE ASKED QUICK DECISION ON, SHOULD HAVE BEEN DALLIED OVER FOR OVER FOUR MONTHS. IF TURNDOWN WAS ON BOP GROUNDS, THE FACTS WERE KNOWN IN MARCH AND DISCUSSED IN MESSAGE TO EXIM IN JULY--SO WHY THE PROCRASTINATION IN REACHING DECISION? THE SIGNIFICANCE OF DELAY (AND THEN TURNDOWN) IS THAT US EXPORT SALES EFFORT IN TANZANIA HAS RECEIVED BLACK EYE THAT WILL NOT SOON BE FORGOTTEN IN COUNTRY WHERE MAJOR PROJECTS ARE ALWAYS IN PUBLIC SECTOR.

2. OUR JUDGMENT OF EXIM DENIAL OF APPLICATION HAS, TO OUR MIND, BROADER IMPLICATIONS WHICH MUST BE CONSIDERED IN TERMS OF OUR OWN TRADE PROMOTION EFFORTS IN TANZANIA AND THOSE OF NEIGHBORING COUNTRIES.

ARE WE TO ASSUME THAT ANALYSIS IN PARA 3-5 OR REF A TELLS US THAT EXIM WILL NOT, FOR SEVERAL YEARS, CONSIDER ANY PROPOSAL IN TANZANIA UNDER ANY CIRCUMSTANCES? IS THIS WHY NO EFFORT WAS MADE TO DISCUSS CFF FINANCING WITH TANZANIA INVESTMENT BANK CHAIRMAN MBOWE AS REQUESTED IN REF B? PLEASE CONFIRM BOTH POINTS.

3. IF OUR ASSUMPTION CORRECT, THEN WE WISH TO STATE CLEARLY TO US COMPANIES CONSIDERING PROJECTS FOR FINANCING UNDER CFF OR LARGER PROJECTS IN TANZANIA TO SUSPEND NEGOTIATIONS IF THEY COUNTING ON EXIM FINANCING. QUESTIONS ARE ALSO ASKED AS IT IS RELEVANT TO POST'S TRADE PROMOTION PLANS. IN APRIL 1976 EMBASSY WILL HOST PORT MANAGEMENT SEMINAR (REF C). WE DO NOT ANTICIPATE THAT BOP SITUATION WILL IMPROVE BY THEN--YET AMERICAN BUSINESSMEN WHO WILL LIMITED OFFICIAL USE

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PARTICIPATE IN SEMINAR WILL COME PREPARED TO SELL SOPHISTICATED AND EXPENSIVE CAPITAL GOODS. HARBOURS CORPORATION, WHICH IS JOINTLY-OWNED BY UGANDA, TANZANIA AND KENYA (ALL THREE OF WHICH HAVE BOP PROBLEMS), WILL REQUIRE CONCESSIONAL FINANCING OF TYPE EXIM PROVIDES IN ORDER TO MAKE PURCHASES. UNLESS EXIM CAN ASSURE US THAT IT CAN PROVIDE FINANCING, WE SEE NO POINT IN HOLDING SEMINAR. GRANTED THE SEMINAR IS 18 MONTHS AWAY, BUT THEN TEXCO'S FIRST REPAYMENT IF EXIM PC APPLICATION HAD BEEN APPROVED, WOULD HAVE

BEEN FOUR YEARS AWAY--THUS, BY OUR REASONING, RATIONALE FOR TURN-
ING DOWN TEXCO LOAN WOULD SEEM TO APPLY TO ANY TANZANIAN LOAN
APPLICATIONS OVER NEXT 5-10 YEARS.

4. IT APPEARS TO US THAT EXIM'S RATIONALE FOR TURNDOWN OF TEXCO
APPLICATION IS OF WIDER INTEREST THAN JUST TANZANIA. WE SUGGESTED
THAT IN PARA 8 OR REF D IN EARLY JULY AND HAD HOPED THAT THE QUESTION
OF LDC'S WITH DIFFICULT BALANCE OF PAYMENTS PROBLEMS MIGHT HAVE BEEN
ADDRESSED AT THAT TIME. TANZANIAN BOP PROBLEM IS A DIFFICULT ONE
BUT A PROBLEM WHICH HAS BECOME INCREASINGLY COMMON WITH MANY LDC'S
(SEE REF E FOR SIMILAR SITUATION DEVELOPING KENYA) WHO MAY DESIRE EXIM

FINANCING. IF EXIM IS JUDGING LOANS TO LDC'S ON BASIS OF AGRICUL-
TURAL PRODUCTIVITY (PARA 3 OF REF A) THEN, IF WE READ USDA'S
"FOREIGN AGRICULTURE" OF AUGUST 26, MANY LDC'S CANNOT QUALIFY
FOR EXIM LOANS. WE SHARE EXIM'S CONCERN REGARDING POSSIBLE
MOUNTING DEBT BURDEN (ALSO PARA 3 OF REF A) IN TANZANIA, BUT
THIS ALSO IS A PROBLEM CONFRONTING MOST LDC'S. IN SHORT, EXIM'S
CASE FOR DENYING TANZANIA LOAN IS TAILORED TO COVER HEFTY NUMBER
OF AFRICAN LDC COUNTRIES AND, WE WOULD GUESS, LDC'S ON OTHER
CONTINENTS AS WELL. CONSEQUENTLY, THE QUESTION OF WHAT EXIM IS
WILLING TO FINANCE MUST BE DISCUSSED ON BROADEST SCALE AND GUIDANCE
GIVEN TO FIELD. WE SEE LITTLE PURPOSE IN MOUNTING COMMERCIAL
PROGRAM AIMED AT NETTING MAJOR PROJECTS WHEN, AS WE LEAR
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TO OUR SORROW, WE HAVE THE CUSTOMER FIRMLY ON THE HOOK, EXIM CUTS
BAIT, HOOK AND LINE--SLOWLY.
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